

“A Place of Excellence”

STOCK MANAGEMENT POLICY

DATE APPROVED / REVIEWED	COUNCIL MEETING DATE	DATE OF IMPLEMENTATION
31 MARCH 2016	31 MARCH 2016	01 JULY 2016

1. Background

- 1.1 The stores and stock management function shall be centralised and will operate under the control of the Manager: Supply Chain Management.
- 1.2 The Manager: Supply Chain Management shall ensure proper financial control; uphold the principle of effective administration; proper stock holding and control; a high standard of service levels as well as product standardisation; and, ensuring good quality of products.

2. Objective

- 2.1 The aim of this policy is to ensure continued availability of materials for rendering services to the community, by following due processes and procedures that are consistent with Council's Supply Chain Management Policy and other applicable legal and policy frameworks.

3. Accountability

- 3.1 In accordance with section 62(1)(c) of the Municipal Finance Management Act (Act 56 of 2003), referred to as the MFMA, the accounting officer of the Municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

4. Principles of Stock Management

- 4.1 The principles of stock management are as follows –

- 4.1.1 Consolidation of stock items to avoid duplication and redundancy;
- 4.1.2 Managing the stores in an efficient and cost effective manner;
- 4.1.3 Maintaining an effective item identification system;
- 4.1.4 Avoiding fruitless and wasteful expenditure by disposing redundant material on time;
- 4.1.5 Designing and implementing internal control systems that seeks to ensure that the Municipality minimizes theft and avoidable losses;
- 4.1.6 All stock items in the Stock System are coded to ensure that each item has a unique number for the purpose of monitoring spending patterns on types or classes of goods;
- 4.1.7 Stock items are kept in clearly marked bins located in the store to enable ease of identification at all times;
- 4.1.8 To prolong the life of stock items kept in the stores, the stores must be kept in a clean, safe, tidy and systematic condition that complies with the health and safety standards as applicable;
- 4.1.9 Appropriate measures should be taken to minimise the risk associated with the keeping of stock items;
- 4.1.10 Ordering and receiving of stock must be done in accordance with standard operating procedures and instructions; and
- 4.1.11 To ensure that appropriate standards of internal controls and stock management are in place to ensure goods placed in the stores are secured and only used for the purpose it was purchased for.

5. Stock Counts

- 5.1 An annual formal stock count must be undertaken before the end of each financial year. A stock count report, indicating all discrepancies and further recommendations must be submitted to Council within two months after the end of the financial year.
- 5.2 As a further control measure, regular random stock counts shall be arranged and administered by the Manager: Supply Chain Management on all stores from time to time and be reported to the Chief Financial Officer.

6. Standard Operating Procedures and Instructions

- 6.1 The Manager: Supply Chain Management is hereby authorised to direct further instructions on the implementation of this policy to all relevant officials.
- 6.2 The Manager: Supply Chain Management shall develop standard operating procedures (SOP) to be approved by the Municipal Manager and its Executive Management team.
- 6.3 The Manager: Supply Chain Management shall administer the implementation of the approved SOP by the relevant municipal stores officials and stock items issued to officials from other departments.
- 6.4 Procedures referred to in 6.2 above must be reviewed on an annual basis and if needed to be amended it must be approved by the Municipal Manager and its Executive Management team.
- 6.5 Any non-compliance to this policy or any standard operating procedure or any instruction given in terms of this policy shall result in preliminary investigations

and if needed the institution of disciplinary procedures in terms of the Collective Agreement on the Disciplinary Procedures Code.

7. Valuation of Stock Items

- 7.1 In terms of GRAP 12 stock items are valued at the lower of cost by using the first-in-first-out (FIFO) cost basis or net realisable value (NRV) and are recorded exclusive of VAT.

8. Damaged and Obsolete Stock Items

- 8.1 Stock items that are periodically identified as being damaged must be reported on by the Administrator: Stores as to effect the necessary financial system adjustments.
- 8.2 On an annual basis damaged and obsolete stock items will be identified as part of the annual stock count process. Such items will be reported on to Council together with appropriate recommendations.

9. Issuing and Storage of Stock Items

- 9.1 Stock items will be taken up in the Stock System and issued from the Stock System as per the approved Standard Operating Procedures for stock management.
- 9.2 Stock items will not be issued in advance to any department at any stage, except in emergency circumstances after normal working hours that include the existence of one or more of the following situations –
- 9.2.1 The possibility of human injury or death;

- 9.2.2 The prevalence of human suffering or deprivation of rights;
 - 9.2.3 The possibility of damage to property, or suffering and death of livestock and animals;
 - 9.2.4 The interruption of essential services, including transportation and communication facilities or support services critical to the effective functioning of the Municipality as a whole;
 - 9.2.5 The possibility of serious damage occurring to the natural environment;
 - 9.2.6 The possibility that failure to take necessary action may result in the Municipality not being able to render an essential community service; and / or
 - 9.2.7 The possibility that the security of the state could be compromised.
- 9.3 Emergency dispensation shall not be granted in respect of circumstances other than those contemplated in paragraph 9.2 above.
- 9.4 Stock items that are issued by the Stores will not be kept at the Stores premises on behalf of other departments for their future use.
- 9.5 Only stock items that are ordered by the Stores will be kept at the Stores premises. No items ordered by any other department, will be kept at the Stores premises.
- 9.6 Stock items may be issued to other municipalities or to contractors rendering services to Drakenstein Municipality provided that the relevant Executive Manager and the Chief Financial Officer approves such a request in writing.
- 9.7 Stock items may be obtained from other municipalities or from government entities (Eskom, etcetera) in cases where the Stores do not have the

necessary stock to ensure that services can be rendered by departments in instances as referred to in paragraph 9.2 above provided that the relevant Executive Manager and the Chief Financial Officer approves such a request in writing.

10. SHORT TITLE

10.1 This policy is called the Drakenstein Municipality Stock Management Policy.